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Q: What is the CT Pass-Through Entity Tax (PET)?

A: The CT PET was enacted on May 31, 2018 by Governor Malloy. Prior to its enactment, pass-through entities were not subject to tax on its income at the entity level, instead, the partners (or shareholders) were generally required to pay tax on their distributive share of the pass-through entity's income. After enactment, pass-through entities are required to pay a 6.99% tax on income derived from CT or connected with CT sources.

Q: When are the CT PET taxes due?

A: Quarterly estimates are due April 15th, June 15th, September 15th, and January 15th and remaining balances are due with the tax returns on March 15th. Quarterly estimates are based upon the lessor of 100% of the prior year's tax or 90% of the current year tax.

Q: If the entity is paying tax, do the partners pay tax on their personal income tax returns?

A: CT resident partners would report the CT income on their personal tax returns. However, they would receive a credit on their personal tax returns for 87.5% of their distributive share of the entity's current year tax. Nonresident partners who are part of the composite filing are not required to file a CT income tax return.

Q: How does this tax affect the partners of an entity?

A: While the entity will pay this tax, the partners will be able to deduct their distributive share of the PET on their federal income tax return. As the year is quickly coming to a close, entities with large liabilities for 2019 should consider making their estimated tax payment by year-end to take advantage of the additional deductions for their partners' 2019 tax returns.